

FISCAL IMPACT STATEMENT ON BILL NO. **H3262**

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TO:	The Honorable Robert E. "Bob" Walker, Chairperson, House Education and Public Works Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYST:	Trey Kannaday		
DATE:	May 1, 2007	SBD:	2007054

AUTHOR:	Representative Kennedy	PRIMARY CODE CITE:	59-17-160
SUBJECT:	School District Consolidation		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

See Below

BILL SUMMARY:

House Bill 3262 would require that effective July 1, 2009 the area of each county shall also be constituted as a school district and no county shall be permitted to have multiple school districts within its borders. However, nothing would prevent a portion of a county from being part of a school district in another county.

EXPLANATION OF IMPACT:

Total local school district management and administrative expenses is estimated at \$167.3 million annually. Of that amount \$32.2 million is for local school board operations and \$36.9 million is for district Superintendent offices. Enactment of this Bill would reduce the number of districts by 46% (from 85 to 46) and subsequently reduce the number of local school boards and district Superintendents. Assuming expenses associated with these governing and oversight functions would be reduced by 46%, the overall savings can be estimated at \$31.8 million, of which \$5.9 million can be directly related to a reduction in Superintendents' salaries and fringe benefits.

Local school districts are funded with a combination of State (General Fund and Education Improvement Act), local and federal funds. State funds account for approximately 45% of local school district supporting revenue. Therefore, indirect savings in State (General Fund and Education Improvement Act) funds associated with reducing the number of local school boards and district Superintendents can be estimated at \$14.3 million (\$31.8 million X 45%).

Other school district administrative expenses including finance, auditing, information technology, human resource management, legal, clerical and facilities maintenance total \$98.1 million annually. There would likely be some savings associated with consolidation of these functions. However, it is not anticipated such savings would approach 46%. The Governor's FY 2007-08 Executive Budget estimated 18% savings associated with agency consolidation of administrative functions including those enumerated above. If this level of savings could be achieved through consolidation of these administrative functions, indirect savings in State (General Fund and Education Improvement Act) funds could be estimated at \$7.9 million (\$98.1 million X 45% X 18%).

It should be noted there would likely be some one-time costs associated with enactment including moving expenses and systems integration. The savings estimates above are annualized and would not likely be achievable during the first year of implementation.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

A study was conducted of School District Organization in South Carolina by Miley & Associates in January of 2003. This study, prepared for the Education Oversight Committee, stated, "The literature review in Section 3 pointed to the evidence that 'scale economies' exist in the provision of public education such that unit costs do tend to decrease as scale or size increases. The simple economic explanation of this finding is that certain costs are given or fixed and as output (number of students) increases, these fixed costs per unit would tend to decline. The study further observed, "The idea is that as the size of the operating unit (in this section the district) increases the cost of providing services decreases."

Approved by:

A handwritten signature in black ink that reads "Harry Bell". The signature is written in a cursive style with a large, stylized 'H' and 'B'.

Harry Bell

Assistant Director, Office of State Budget